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TO: Larry Wexler
FROM: Art Padoan
SUBJECT: FTC REPORT TO CONGRESS FOR 1991

DATE: April 18 1994

As requested, please find below the 1991 Expenditure Analysis for the U.S. cigarette industry. It is based on the FTC's most recently published report on domestic cigarette advertising and promotional expenditures.

Total industry advertising and promotional expenditures rose 16.5% to \$4.6 billion in 1991. Media expenditures declined by 7.4% to \$773 million; representing 16.6% of the total spending. The biggest increase was in promotional spending, up by 23.1% to \$3.8 billion; representing 81.9% of the total.

Significant increases in 1991 spending were concentrated in couponing and retail value added (e.g. B1G1Fs, giveaways, etc.), up 59.1% or \$699 million; promotional allowances, up 13.2% or \$135 million; and point-of-sale materials, up 13.4% or \$40 million.

More is spent on the coupons and retail value added category than on any advertising or promotion category. Approximately \$1.9 billion was spent on couponing and retail value added in 1991; representing 40.4% of the total spent by the industry.

Spending on cigarette sampling decreased dramatically by 43.5% to \$57 million; representing only 1.2% of the total spent on advertising and promotion in 1991.

Despite the industry's 16.4% increase on ad and promo spending, total industry volume fell 2.4% to 509.1 billion units.

For a more detailed analysis by type of expenditure, please refer to the attachment.

Should you require any additional information, please advise.

cc: C. Levy
L. Lembo

Art
Wendy reports via this
it would be helpful to
show %m/m + comp/m
expenditures.

Noted. But the FTC only
publishes industry data
in aggregate.

Art
5/10/94

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Domestic Cigarette Ad & Promo Expenditures For Years 1990-1991 (Millions of Dollars)

	Industry Expenditures				% Chg. 1991 vs 1990
	<u>1990</u>	<u>% of Total</u>	<u>1991</u>	<u>% of Total</u>	<u>1990</u>
Newspapers	\$ 71	1.8	\$ 48	1.0	-32.3
Magazines	328	8.2	279	6.0	-15.2
Outdoor	376	9.4	386	8.3	+2.7
Transit	<u>60</u>	<u>1.5</u>	<u>60</u>	<u>1.3</u>	<u>0.0</u>
**Sub-total (Media)	\$ 835	20.9	\$ 773	16.6	-7.4
Point-of-Sale Materials	\$ 304	7.6	\$ 344	7.4	+13.4
Promotional Allowances (1)	1,021	25.6	1,156	24.9	+13.2
Sampling Distribution	101	2.5	57	1.2	-43.5
Specialty Item Advertising (2)	307	7.7	184	4.0	-40.0
Public Entertainment	125	3.1	119	2.6	-5.2
Direct Mail (3)	52	1.3	65	1.4	+25.3
Coupons and Retail Value Added (3)	<u>1,184</u>	<u>29.7</u>	<u>1,883</u>	<u>40.4</u>	<u>+59.1</u>
**Sub-total (Promotional)	\$3,094	77.5	\$3,808	81.9	+23.1
**All Other	<u>\$ 63</u>	<u>1.6</u>	<u>\$ 69</u>	<u>1.5</u>	<u>+9.5</u>
Grand Total	<u>\$3,992</u>	<u>100.0</u>	<u>\$4,650</u>	<u>100.0</u>	<u>+16.5</u>
U.S. Domestic Units Shipped (Billions)	(521.6)	100.0	(509.1)	100.0	-2.4

- Notes: (1) Includes retail merchandising payments and trade allowances/programs to wholesalers.
- (2) The amount reported spent on specialty item advertising represents branded merchandise distributed through the mail, at promotional events, or any means other than at point-of-sale with cigarette purchase.
- (3) Coupons sent via direct mail have been counted in the coupons and retail value added category.

Source: 1990-1991 FTC Report on Domestic Cigarette Advertising and Promotional Expenditures.

1990-1991 Maxwell Consumer Report.

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